



ILLINOIS STATE BOARD OF INVESTMENT

180 North LaSalle Street, Suite 2015
Chicago, Illinois 60601
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January 3, 2007

To: State of Illinois Deferred Compensation Plan (DC plan) Participants

In the past it has been communicated to you that the Illinois State Board of Investment (ISBI) has concerns regarding recent performance of Ariel Capital Management (Ariel). While ISBI takes comfort in Ariel's longer term performance (ten years and longer) the performance over the one, three, and five year time periods has caused a great deal of concern.

Ariel has been on the DC plan Watch List since March of 2006.

While ISBI continues to have concerns regarding Ariel's near term performance in the DC plan, ISBI is also aware that some investors take comfort in the long relationship that the DC plan has had with Ariel, and that some investors value the option of investing with a minority owned Illinois firm.

Thus, ISBI has decided not to terminate Ariel as an option in the DC plan at this time. The Board will keep the firm on the Watch List and continue to evaluate its performance. It is left to the discretion of each plan participant as to in which plan option they choose to invest.

As a result of Ariel's recent performance ISBI has terminated its relationship with Ariel under which the firm managed defined benefit plan assets under ISBI's fiduciary control.

Sincerely,

ILLINOIS STATE BOARD OF INVESTMENT

A handwritten signature in black ink, appearing to read "W. Atwood", is written over the printed name of the Executive Director.

William R. Atwood
Executive Director